

The Future of U.S. Development and Humanitarian Assistance: Recommendations for Influence and Impact

March 2025



EXECUTIVE SUMMARY

The United States faces many threats to our security and prosperity, including increasing aggression from China and other adversaries, unprecedented levels of forced migration, and extreme weather events. In addition to a strong military and diplomatic corps, international development and humanitarian assistance are key tools for addressing these challenges. For decades, international assistance has proven to be a key instrument for America's influence and strength.

Sweeping actions in recent weeks – including a freeze on international assistance, the termination of thousands of assistance programs approved and funded by Congress, and the dismantling of USAID – have hampered the United States' capabilities to engage with and influence partner countries and harmed our relationships. The abrupt nature of program terminations has created a considerable vacuum into which our adversaries, competing with the U.S. for power and influence, can and will step. New efforts will be needed to rebuild the trust of key partners and stakeholders.

While MFAN strongly supports an independent international and humanitarian assistance agency, as created by Congress, in the event that an independent agency is not restored and instead is merged with the State Department, it is critical that structural changes to the foreign assistance architecture retain a significant degree of autonomy and senior leadership in order to maximize these programs' impact.

MFAN recommends:

Establishing a new Deputy Secretary for Development and Humanitarian Affairs to oversee the following:

- Humanitarian Assistance, including migration, refugees and emergency relief
- Development Assistance, including food security and nutrition, water and sanitation, education, economic development, and innovation
- Global Health, including PEPFAR and the Office for Global Health Security
- Good Governance, including Democracy, Human Rights and Labor (DRL)
- Office of Foreign Assistance, integrating policy and budget
- Office of Global Women's Issues
- Office to Monitor and Combat Trafficking in Persons

Designating the Deputy Secretary as the Chairperson of the Boards of the MCC and DFC, in order to align goals and enhance coordination.



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA





The Role of U.S. International Assistance

The United States faces many threats to its future security and prosperity: increasing aggression from China and other authoritarian regimes, the growth of economic competitors, pandemics and extreme weather events, and unprecedented levels of displacement. How U.S. policymakers address these challenges – specifying what investments are made and what programs are prioritized – will have significant implications for the decades ahead.

Among the tools our nation must utilize in addressing these challenges, in addition to a strong military and diplomacy, is international development and humanitarian assistance. These programs play a significant role in countering adversaries, fostering stronger security and trade alliances with allies, reducing irregular migration, and fighting corruption. U.S. global health, humanitarian, and economic programs create strong partners and build prosperity, stability, and security. For decades, they have proven to be key instruments for America's influence and strength.

U.S. Government Architecture for International Assistance

With strategic coordination and aligned implementation, defense, diplomacy, and development together make America safer, stronger, and more prosperous. While the U.S. government's foreign policy and national security architecture must continue to be modernized, the Administration's decision to dismantle USAID by terminating the vast majority of its staff and programs has greatly reduced the capacity of the United States to conduct foreign assistance.

USAID's role as the lead development agency within the U.S. government, including its global leadership in humanitarian response and development programming, has been vital to establishing an enabling environment in which other U.S. foreign assistance agencies, including the Millennium Challenge Corporation (MCC) and the U.S. International Development Finance Corporation (DFC), can work in partner countries to help accelerate economic growth and self-reliance. The United States has a strong record of success in using international assistance to help countries (i.e., South Korea, Indonesia, Turkey, Costa Rica, and Panama) transition from aid beneficiary to strategic partners on economic and security matters.

Merging Development and Diplomacy at the State Department

The Administration has announced its intent to merge development and humanitarian functions with existing diplomacy functions at the U.S. Department of State. Pursuant to the Foreign Affairs Reform and Restructuring Act of 1998, this can only take place with approval by Congress.

If a merger is implemented, the development and humanitarian functions will need a level of separation, elevated leadership, and coherent structure to ensure development tools are strategically employed and effectively executed. The development structure (as previously led by USAID) should maintain its cohesiveness with the most senior leadership within the State Department while aligning with U.S. foreign policy priorities.

If the reverse is done and the remaining USAID programs are re-distributed across existing State bureaus and under the “J family” (the group of bureaus and offices that report to the Under Secretary for Civilian Security, Democracy, and Human Rights), the fragmentation of development purpose and functions across the department will diminish the impact of international assistance on critical national security and economic issues and likely lead to inefficiencies.

Creation of the Deputy Secretary for Development and Humanitarian Affairs

All development and humanitarian programs should be integrated into a single function under a Deputy Secretary. This would also place development and humanitarian leadership at the level of the other two deputies (for political affairs and management) and at the same level as the heads of the U.S. International Development Finance Corporation (DFC) and the Millenium Challenge Corporation (MCC).

This Deputy Secretary for Development and Humanitarian Affairs would oversee a number of existing and new bureaus and offices, including:

- A new Bureau of Humanitarian Assistance, including the current Bureau of Population, Migration and Refugees (PRM)
- A new Bureau of Development Assistance, encompassing aspects of energy and environment currently handled by the Bureaus of Energy Resources (ENR) and Oceans and International Environmental and Scientific Affairs (OES), such as food security and nutrition and water and sanitation currently under OES, as well as education, economic development, and innovation programs
- A new Bureau of Global Health, including the existing Bureau of Global Health Security and Diplomacy and PEPFAR
- A new Bureau of Good Governance, including the current Bureau of Democracy, Human Rights, and Labor (currently under Civilian Security, Democracy, and Human Rights)
- The Office of Foreign Assistance (currently under the Deputy Secretary for Management and Resources)
- The Office to Monitor and Combat Trafficking in Persons (currently under Civilian Security, Democracy, and Human Rights)
- The Office of Global Women’s Issues (currently reporting to the Secretary of State)

Streamlining these functions and expertise under one Deputy Secretary, rather than being scattered across multiple bureaus, will increase the impact of foreign assistance on critical national security and economic issues. Among the new Deputy Secretary's top priorities should be to synergize the surviving elements of U.S. foreign assistance around these issues. Organizing under one Deputy Secretary will also reduce redundancies and inefficiencies.



Clear Exit Strategies: Merging Development and Humanitarian Functions and Supporting Aid Transitions

The integration of existing humanitarian and development structures under this Deputy Secretary will bring together important functions and expertise to ensure the effective delivery of both life-saving assistance and economic development. This integration can create a greater focus on resiliency, stability and transitioning U.S. assistance to other types of strategic partnerships with the United States, thus preventing a protracted dependency on aid.

Recovery and resilience must remain an important focus of humanitarian assistance to end the cycle of dependency. This assistance must both meet lifesaving basic needs and help people get back on their feet, so they will not continue to rely on humanitarian support. Without complementary investments that address the root causes of humanitarian need, the result will be a constant reactive cycle of providing life-saving humanitarian assistance.

- International Disaster Assistance (IDA) is critical to meeting live-saving basic needs and allows for a rapid and contextualized response. In addition to Title II food commodities, people also need water, nutrition, cash, health care, shelter, and additional basic needs in the face of crisis. If people cannot see a sustainable way to meet their family's basic needs, they will be more prone to migrate or will be more vulnerable to recruitment by criminal or extremist groups.

Sector Integration at Country Level

Many development and humanitarian programs at the country level should be consolidated and streamlined with a focus on delivery in alignment with national needs and priorities and to build the capacity of local public and private entities that can eventually take over the work.

- With health delivery, a comprehensive program is needed that integrates currently fragmented disease-specific initiatives, including PEPFAR, and strengthens health systems to build institutional capacity at the national and local level to address multiple diseases at once.
- Water, Sanitation, and Hygiene (WASH), food assistance, and nutrition should be structured and where feasible integrated to maximize impact and efficiency at the country level.

A reconfigured humanitarian and development assistance entity in the State Department that provides comprehensive programming can best support U.S. national security, foreign policy, and economic interests.

Coordination with other International Development Agencies

Reforming the development functions of the State Department and aligning with other agencies, including the MCC and DFC, will lead to better outcomes and more efficient and effective use of resources. The MCC and DFC perform very valuable functions, but they lack the breadth and depth of traditional USAID activities that help countries in the earlier stages of economic growth, social well-being, and good governance.

- MCC focuses on economic growth, designed in close cooperation with partner countries, to address economic constraints (and mutual national security interests). MCC has proven to be effective at economic development but is unable to scale to most U.S. partner countries as they do not meet MCC eligibility criteria and would not be candidates for a compact-like relationship.
- DFC provides opportunities for economic growth through its support for private sector investments and can help a country progress to relationship based on trade and investment. It offers an important alternative to China's often exploitative financing. It has shown it can be a positive force for economic growth, but it isn't well set up to drive this economic growth within situations of high poverty and humanitarian crises.

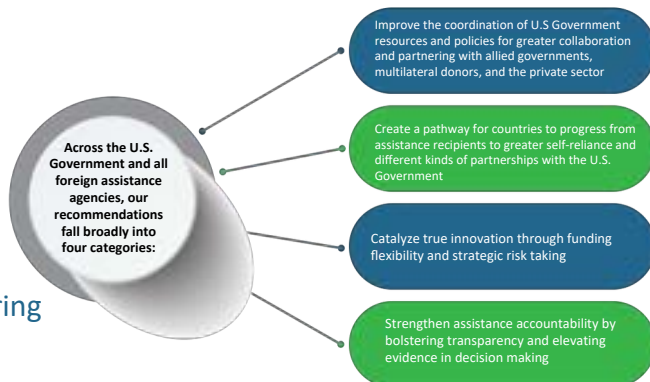
The Deputy Secretary for Development and Humanitarian Affairs in the State Department should be designated as the Board chair of the MCC and DFC to ensure alignment with U.S. interests and a focus on the role of economic growth to address underlying, systemic barriers to growth that position countries at the point where MCC and the DFC can engage. This will ensure that the MCC and DFC are coordinated and aligned with larger development functions, while recognizing the limitations of these different agencies.

The Export-Import Bank (EXIM) can play a corollary role with the DFC in financing U.S. goods and services that support private enterprise in developing countries. Strengthening EXIM's governance (including ensuring its Board of Directors is aligned with both the MCC and DFC Boards), increasing its credit cap, and ensuring better coordination with MCC and DFC would make it a more powerful foreign policy tool.

In addition to the other agencies named, the U.S. Trade and Development Agency (TDA) should be utilized to facilitate U.S. firms' entry into developing countries through supporting feasibility studies and working with countries to establish world class standards.

Principles and Functions for International Assistance Restructuring

In structuring and aligning the development and humanitarian functions within the State Department, these principles will help ensure effective streamlining, reform, and best practices:



1. Promote Country Self-Reliance and Aid Transitions

- Design programs that empower local governments and communities, aligning assistance with national development plans with a focused goal of transitioning countries to be self-sustaining economic and security partners
- Help governments to adopt evidence-based policies, mobilize their own domestic resources for development, and build institutions capable of effective implementation

2. Foster Economic Growth and Trade Partnerships

- Better coordinate economic growth programs with MCC, DFC, and private sector actors to foster sustainable investment, trade, and innovation
- To create trading partners, build local financial markets, support entrepreneurs, create jobs, and de-risk investments
- Build economic growth that is broad-based, self-sustaining, and brings those at the bottom of the economic ladder into a market-based economy

3. Strengthen Innovation

- Thoroughly integrate the U.S. private sector - known for its ability to adapt and innovate - into all in U.S. development efforts
- Use catalytic funding to invest in innovations with proven social impact and cost effectiveness that can be adopted at scale

4. Advance Policy, Learning, Planning

- Ensure there is a robust policy, planning, and learning function which includes a focus on evidence on cost effectiveness, efficiency, results, and return on investment

Conclusion

International development and humanitarian assistance have proven to be key instruments for America's influence and strength, creating strong partners for economic and security alliances. While MFAN strongly prefers a premier, independent U.S. aid agency, as established by Congress, in the event that an independent agency cannot be restored, and its remaining functions are housed in the State Department, development and humanitarian assistance must retain a significant degree of autonomy and senior leadership through the creation of a Deputy Secretary for Development and Humanitarian Affairs.